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ADOPTION OF THE FINAL REPORT OF THE WORKING GROUP TO THE TRADE AND DEVELOPMENT BOARD

Draft final report of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries

This draft report has been prepared as a synthesis and elaboration of the Chairman's summaries of the substantive discussions of the Group, contained in the reports on each session of the Group, in accordance with the request of the Ad Hoc Working Group to the secretariat.

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INTRODUCTION

A. Mandate

1. Pursuant to "A New Partnership for Development: The Cartagena Commitment", adopted at the eighth session of the Conference, and on the basis of Board decision 398 (XXXVIII) which sets out in Annex C the terms of reference of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries, four sessions of this Group were held, respectively, from 14 to 18 December 1992, from 22 to 26 November 1993, from 28 February to 4 March 1994 and from 4 to 8 July 1994.

2. Paragraph 1 of the terms of reference of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries called on it "to analyse the prospects for, and examine ways of, expanding the trade opportunities of developing countries for the diversification and growth of their export supply capability and for the enlargement and improvement of their export market opportunities" (cf. TD/B(XXXVIII)Misc.5).

3. Below are describe the activities of the Group at each of its sessions in fulfilment of its mandate, along with an assessment of implementation of its work programme. Chapter II contains the main findings and conclusions arising from the substantive discussions of the Group.[1]

B. Sessions of the Group

1. First session

4. The first session of the Group was held in December 1992 and was devoted principally to identifying the issues most relevant to the expansion of trading opportunities for developing countries and the establishment of a corresponding work programme. To assist the Ad Hoc Working Group in this task, the UNCTAD secretariat had prepared a report (TD/B/WG.4/2) identifying a number of issues falling under the terms of reference.

5. The Group was able to reach a consensus on its work programme and agreed to "undertake an analysis of the prospects for, and examine ways of, expanding the export supply capabilities of developing countries and improving their export market opportunities with a view to elaborating policy recommendations for implementation at the national and international levels". The work programme of the Group is contained in the report of the Ad Hoc Working Group in Expansion of Trading Opportunities for Developing Countries on its first session (TD/B/39/(2)15 - TD/B/WG.4/3, annex II).

6. The main elements of the Group's work programme included: (i) consideration of global trends in the world economy affecting the trading opportunities of developing countries; (ii) consideration of various national experiences in order to identify national measures, incentives and policies for

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[1] Section headings have been included for subjects not yet considered by the Group, such as trade measures of the Uruguay Round, which will be dealt with by the Group at its fourth session. Chapter II [to be completed by the Group as appropriate at its fourth session] will present the Group's policy recommendations. Proposed annexes to the Group's final report are indicated but are not reproduced with the present draft report.

enhancing the competitiveness of sectors and industries with an export potential; (iii) analysis and identification of export market opportunities which are a consequence of developments such as trade measures, environmental measures, structural adjustment policies, the results of the Uruguay Round, regional integration arrangements and restrictive business practices in international trade; (iv) consideration of various national experiences in order to identify effective export promotional, and marketing activities; and (v) consideration of technical cooperation needs and activities for enhancing the trading opportunities of developing countries.

2. Second session

7. Based on the agreed work programme, the Ad Hoc Working Group held its second session in November 1993. The Group had a broad exchange of views on national experiences, involving written and oral presentations by some 20 countries representing developing, developed and transitional economies, in order to identify national measures, incentives and policies for enhancing the competitiveness of sectors and industries with an export potential, as well as to identify ways of improving the export market opportunities of developing countries. With regard to market opportunities, the Group held an in-depth discussion on: the impact of environmental policies and measures on trading opportunities of developing countries; structural adjustment policies and their implications for the export opportunities of developing countries; and the impact on the trading opportunities of developing countries resulting from restrictive business practices in international trade. The preliminary conclusions drawn from the Group's discussion have been reflected in the Chairman's summary contained in the report of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries on its second session (TD/B/40(2)/4 - TD/B/WG.4/8, annex II).

8. There had been a consensus from the first session that, since the results of the Uruguay Round were likely to have major implications for the market opportunities of developing countries and for domestic policy options to promote export sector development and trade, the Ad Hoc Working Group could not usefully conclude its work without having taken those results into consideration. Accordingly, in view of the timing of the completion of the Uruguay Round, the Ad Hoc Working Group at its second session agreed by consensus to recommend to the Trade and Development Board to extend the period of the group's mandate to the end of June 1994 in order to allow it to complete its work. The Group also agreed to request participants in the Uruguay Round to provide the UNCTAD secretariat at the earliest date feasible with final lists of concessions made in the Uruguay Round, in order to allow the secretariat to prepare the background analyses necessary for the Group's consideration.

3. Third session

9. The third session of the Ad Hoc Working Group was held from 28 February to 4 March 1994. The Group continued its discussion of issues in accordance with its work programme, focusing on: analysis of global trends in the world economy affecting the trade opportunities of developing countries, with the assistance of a panel of experts; consideration of additional national experiences (six additional countries/groups); consideration of technical cooperation needs and activities for enhancing the trading opportunities of developing countries; and further consideration of the implications of environmental measures and regional integration arrangements for the trading opportunities of developing countries. The Group also adopted an interim report (see TD/B/40(2)/19) to the Trade and Development Board for the latter's review and evaluation of work programmes in the context of the mid-term review called for by UNCTAD VIII. The conclusions drawn from the Group's discussion as

summarized by the Chairman are contained in the report of the Ad Hoc Working Group on Expansion of Trading Opportunities for Developing Countries on its third session (TD/B/40(2)/15 - TD/B/WG.4/11, annex I).

4. Fourth session

10. The fourth session of the Group was held from 4 to 8 July 1994. The Group considered the results of the Uruguay Round and their effects on the trading prospects of developing countries, and prepared its final report to the Trade and Development Board.

C. Assessment of the implementation of the work programme

1. Scope of the Ad Hoc Working Group's work

11. The work programme which the Ad Hoc Group determined on the basis of its terms of reference had identified the issues most relevant to the expansion of trading opportunities of developing countries. Given the range of such pertinent issues, it was felt that the Group had not had enough time to consider some issues in sufficient depth. The Group had had in effect the period between December 1992 and May 1994 to complete its work. Taking into consideration the timing of the completion of the Uruguay Round, the Group agreed that a fourth session, scheduled for 4 - 8 July 1994, was necessary in order to allow the Group to complete its work.

2. Country presentations

12. The Group had had an interesting and very useful exchange of national experiences concerning measures, incentives and policies for enhancing the competitiveness of sectors and industries with an export potential as well as ways of identifying and responding to market opportunities. Although it was sometimes difficult to perceive the commonality in country experiences, owing to the variety of country presentations, nevertheless the exchange of views in the Group had provided a clear picture of what successful exporting countries had done to enhance their export capabilities and to take advantage of export market opportunities.

13. It was felt that an attempt by the UNCTAD secretariat to synthesize and draw out lessons from the country presentations of developing countries would be useful and the results should be widely disseminated.

3. Attendance and the interest shown in the work of the Ad Hoc Group

14. The level of attendance reflected the keen interest in the subject matter - expansion of trading opportunities for developing countries - for a considerable number of countries. Expansion of the trade of developing countries was considered to be crucial for their economic development. The attendance of experts from capitals had been low, however, perhaps owing, inter

alia, to the financial constraints on many Governments of developing countries, particularly the least developed countries, and to the fact that many countries had trade experts based in Geneva.

4. Documentation

15. The Group had been greatly assisted in its work by reports of a high quality provided by the secretariat and other international bodies.

5. Use of panels

16. At the request of the Group, the secretariat had invited experts to assist the Group in its analysis of global trends in the world economy and the implications for the trading opportunities of developing countries. The panel of experts had been very useful for the work of the Group. On the basis of this experience, observations could be made as follows. Panels should, as far as possible, have balanced representation (geographical, professional background, etc.) and reflect the concerns of all groups of countries. To maximize the inputs of panels to the work of the Group, efforts should be made to ensure more interaction and discussion between panelists and members of the Group. Advance circulation of presentations to be made by panelists would also be helpful in this regard.

6. Follow-up

17. In terms of the outcome of the Ad Hoc Group's work, the objective was to identify opportunities and recommend ways to expand the exports of developing countries with a view to elaborating implementable policy recommendations for action at national and international levels.

18. While the Group had done very useful work by the end of its mandate, it had been unable to deal satisfactorily with all issues of major relevance to the trading opportunities of developing countries. Accordingly, it would be to envisage how to follow up and give further consideration to these issues in UNCTAD. In addition, there would be new issues emerging after the completion of the Uruguay Round of major relevance to the trading opportunities of developing countries which would need to be considered in UNCTAD.

I. MAIN FINDINGS AND CONCLUSIONS

A. Global economic trends and issues affecting the trading opportunities of developing countries

19. In recent decades, world trade growth has continued to outstrip the growth of world output and income. Trade in manufactured products has been the fastest growing component of world trade, rising to about 75 per cent of world trade in

1993. Fluctuations in world production and income continue nonetheless to have a major direct impact on the growth of world trade. Globalization of production and the emergence and wide diffusion of information technology have given a new impetus to the interdependence of economies. This has made the trade and growth prospects of the developing world more closely intertwined with those of the industrial world. Although the economic and trade performance of the developing countries in the aggregate has been better in recent years than that of the developed countries, thanks largely to the outstanding performance of countries of the East Asian region, the developing countries as a group nevertheless remain dependant on industrial country markets. Markets in industrial countries account for about three-quarters of world imports. Although growing and gaining in significance in some regions, trade among developing countries has remained small in proportion to world trade. For example, in 1993, only some 5 per cent of world trade in manufactures was between developing countries. Furthermore, in 1993, while industrial countries took more than 60 per cent of developing country exports of manufactures, developing countries' share of industrial country markets for manufactures (imports from developing countries as a share of apparent consumption) was only around 3 per cent. Growth and recovery in the industrial economies, as well as the maintenance of, and improvement in, access to industrial country markets, therefore remain as the major stimuli to exports by developing countries.

20. Foreign direct investment (FDI) and the globalization of production have had a major impact on trading opportunities. There has been a qualitative difference in the character of foreign direct investment in recent years. A key development in the last ten years has been the movement towards integrated international production systems and marketing by large enterprises. Liberalization of trade and investment has facilitated the transfer of technology, while the emergence of information technology has made global management possible on a day-to-day basis. An important implication of this trend has been that within a corporate network any part of the value-added chain could, in principle, be undertaken anywhere in the world. It is noteworthy, however, that the surge in FDI inflows to developing countries in recent years has gone to a somewhat limited number of countries.

21. The world economy has been deeply hit by the prolonged recession in the OECD countries. The sharp contraction of economic activities of Central and Eastern European economies in transition has added to the worsening of the world economic situation. However, it is believed that the prospects for the world economy and trade in the coming years are likely to improve. Signs of recovery are apparent in some OECD countries and the recovery is expected to spread to other OECD countries. Nevertheless, some major problems persist in those countries, notably the continuing high rate of unemployment, which will have a bearing on the pace and spread of this recovery. As for the Central and Eastern European economies in transition, it is difficult to predict the timing of their economic recovery owing to the number of deep-rooted problems they face. There are nonetheless signs of recovery, albeit sluggish, in some of these economies. With respect to the developing countries, their economic and trade performance

has varied considerably from one region to another. Whereas some have done better in recent years thanks to a combination of appropriate domestic policies (including adjustment programmes and unilateral trade liberalization), lower long-term world interest rates and a surge in capital inflows, others, notably the least developed countries and many African countries continue to face a deteriorating economic situation. While the implementation of the Uruguay Round is expected to yield positive results for the world economy as a whole, many analyses project wide disparities in relative gains among individual, as well as groups of, developing countries.

22. Despite this favourable outlook expected for the world economy in the second half of the 1990s, the outcome for many developing countries is not without risks posed by a number of factors. For one thing, economic performance between developing countries will continue to vary significantly, thus widening the existing gap between them; secondly, the international economic climate could take a turn for the worse; thirdly, because of structural changes in the world economy, the international economic environment is becoming more competitive; and, fourthly, notwithstanding the successful conclusion of the Uruguay Round, protectionist pressures could re-emerge and new protectionist measures might appear if the growth in OECD countries faltered. In addition, the situation of commodity-exporting developing countries which have been adversely affected by the downward trend in real commodity prices over the past decade remains worrisome. These countries continue to lack the resources (financial, human and institutional) necessary to carry out successful diversification programmes. The situation of least developed countries and African countries is particularly precarious. Clearly, expansion of trade is of crucial importance for the economic growth and development of all. In this connection, given the growing international concern about the environment and ecologically sustainable development, increased international cooperation would be essential to expand the trading opportunities for developing countries based on environmentally friendly production processes and products.

B. Building export capabilities

23. Sustained export growth of the developing countries depends crucially on two major parameters: the existence of internationally competitive supply capabilities in the developing countries and an open international trading system offering the fullest access to export markets.

1. Developing policy strategies to expand export capabilities

24. Developing countries need to develop a coherent and effective policy framework for addressing critical constraints on the building of internationally competitive export supply capabilities. In this context, the Group has addressed the role of governments and the business community in fostering the development of internationally competitive export capabilities in developing

countries. The following conclusions have been noted.

25. The government in developing countries has an important role to play in fostering the development of internationally competitive export capabilities. This role includes the setting of the basic framework for the overall management of the economy. Governments have a vital role to play in creating and preserving an enabling environment for private-sector development through the provision of basic public, social and economic services and by removing administrative and legal restraints on the setting up and operation of enterprises. Governments could promote growth in the private sector through human resources development, support for investment and fostering of business networks. A partnership between the public and private sectors is vital for the successful planning and implementation of trade and investment programmes. In setting priorities and strategies for building internationally competitive export capabilities, the government should do so in close cooperation with the business community which has the major role to play in building effective export capability. Continuity in government policies for export development is crucial for success. Equally, over time, as export capabilities are built up and business institutions mature, the direct role of the government in export development would be diminished. Flexibility in responding to changing market conditions is important for the government in setting policies, as well as for the business community which has to adapt to the consumer's needs and demands.

2. Incentives for export sector development

26. Experience of some countries that have been successful in building competitive export capabilities suggests that an effective policy framework should contain both general and sector-specific policy elements. At a general level, the policy orientation has been to ensure that prerequisites for building internationally competitive export capabilities are met. These include: sound macroeconomic management favouring price stability and a realistic exchange rate; fostering of entrepreneurship and competition in the economy; development of human resources and technology; full mobilization of domestic resources, including through growth-oriented savings and investment policies; improvement of infrastructure (e.g. transportation systems, telecommunication, institutional capacity, etc.); and availability of external financial resources. Specific measures and incentives targeted to sectors and industries with an export potential have included fiscal and financial incentives; an import policy aimed at freer access to imported inputs (such as raw materials, components, machinery or spare parts) while at the same time providing temporary protection from import competition to nurture the development of "infant" industries. While lessons can be drawn from the successful experience of these countries in the design of policies and strategies for exports development, each developing country would need to choose its own policy mix based on its economic circumstances, particularly the developmental stage of its industries and market-based institutions.

27. Experience shows that the design of export incentive schemes and

their effective implementation can be complex undertakings. Incentive measures need to be designed to dovetail with the particular requirements of national economies. Likewise, the design and implementation of sectoral development programmes to enhance the international competitiveness of selected industries are challenging tasks. Experience points to a number of critical points: the choice of the "right" sector for promotion; the correct identification of the constraints on promoted industries; the design of support measures in response to sector-specific needs; and the application of appropriate safeguards to ensure that sectoral support does not become a source of permanent economic rent.

28. To ensure efficiency, export incentives should be kept moderate in terms of their subsidy element, so that the allocative forces of the market are not suppressed, and that foreign exchange is earned at relatively low domestic resource cost. In this connection, incentives should be subject to regular review to ascertain that they continue to generate net benefits. With progressing development, countries have often shifted from the use of direct incentive measures to measures which are more indirect in their impact. Incentives should be consistent with GATT provisions.

3. Import liberalization

29. Appropriately designed and implemented import liberalization strategies have proven to be an effective tool in improving resource allocation and international competitiveness of exports. However, in view of the wide structural and capability differences that exist among developing countries and their production sectors, a uniform prescription regarding import liberalization is difficult to make. Major problem areas encountered in the design of liberalization strategies include the sequencing of import liberalization, the tariffication of non-tariff barriers, the pace of import liberalization, the phasing of tariff reductions and the proper balance between "wholesale" and sector-specific liberalization. Wide differences among developing countries in their economic, social and political conditions may require strategies which are tailored to particular needs. Nevertheless, it was agreed on the basis of experience, that a phased liberalization of imports has proven to be effective in promoting the international competitiveness of the production base. In some cases, when export capabilities had already been built up, a more rapid liberalization of imports could induce enterprises to adopt measures to improve their productivity and international competitiveness.

4. Exchange rate

30. The role of the exchange rate in export-sector development was also discussed. In this connection, it was agreed that a rational foreign-exchange management system which relied on the forces of supply and demand, as well as appropriate macroeconomic policies, including monetary policy, is a necessary condition to set the exchange rate for a suitable development of foreign trade

(exports and imports). Moreover, such an exchange-rate management system could obviate the need for complicated foreign exchange and import control systems to offset the bias against exports of an unrealistically high exchange rate (i.e. the price of a unit of the domestic currency in units of foreign currencies).

5. Human resources and technological development

31. Technological and human resource development, including the acquisition of skills, technical education and disciplined work habits, are vital for developing competitive export sectors and for sustained development of export capabilities. Developing countries are making efforts to adapt their technology policies and to strengthen their human resource base and institutional arrangements, both for technology acquisition from abroad and for its domestic absorption, adaptation, generation and diffusion. The least developed countries are particularly affected by constraints on technological and structural changes required for their export development and competitiveness. As human resources development is a critical strategic element in building export capabilities, high priority should be given to investments in this area.

6. Foreign direct investment

32. Given the importance of investment resources in building export capabilities and the lack of investment capital (including external financial resources) in many developing countries, domestic policies in these countries will have to be geared to creating a more favourable environment for private capital inflows. Private international capital flows are increasingly taking the form of foreign direct investment (FDI), portfolio investments and bond lendings, rather than bank lendings.

33. FDI does not provide developing countries with just financial capital. Other elements in the package include the transfer of technology and management skills, employment creation and labour-force training. Foreign firms can also stimulate domestic entrepreneurs by introducing a source of innovation and competition, and can encourage domestic investment. FDI can also play an important role in securing access to world markets for the goods produced in a host developing country.

34. In recent years, manufacturing direct investment aimed at production for the export market, particularly in the investor's home country, has become increasingly important. It has centred on countries where policies have made exporting an attractive activity, where labour is inexpensive in relation to its productivity and, increasingly, where countries have attained more advanced levels of human skills.

35. While the decision on where a company should invest is a commercial matter, Governments of both investing and recipient countries have a role to play in providing a framework through agreements on investment promotion and protection and through the use of aid instruments to facilitate investment in sound projects in markets perceived as difficult. Experience shows that

countries wishing to attract foreign investment needed to have an open economic framework that was stable and predictable, and which allowed transfer of earnings. This implied that Governments needed to be pro-active in a number of areas. A favourable environment included not only liberalization of regulations but also the creation of a supportive infrastructure for domestic production. Measures employed by "host" countries to attract FBI have included: the introduction of transparent and non-discriminatory legal and regulatory systems; relaxation of equity restrictions and local purchase requirements; free transfer of profits and capital repatriation; fiscal and financial incentives; supportive infrastructure; and preferential access to imports.

36. Export processing zones (EPZs) have in general been a successful device for attracting FDI and thus for building export capabilities. A large number of developing countries have set up EPZs as focal points for the promotion of manufactured exports and, increasingly, for exports of services, as well as to attract foreign export-oriented investment. The planning, establishment and operating of EPZs require specialized expertise, besides adequate financial resources. Experience has shown that the profitability of EPZs for the host economies constitutes a sensitive point. For several such zones, operations have apparently not generated net benefits, owing to planning mistakes, operational problems or the inability to attract sufficient investment to the zones.

C. Expanding market opportunities

37. An open international trading system offering the fullest access to export markets is a major parameter in sustaining the export growth of developing countries. Efforts to enlarge and improve the export market opportunities of developing countries are pursued in several contexts - for example, through multilateral trade agreements, through regional integration and trade arrangements, and through bilateral and plurilateral trade agreements. Issues focussed upon included not only border measures, such as tariffs and quantitative restrictions, but also developments with major implications for market opportunities such as environmental measures, structural adjustment policies and RBPs and competition policies.

1. Trade measures, including the Uruguay Round results

[To be completed]

2. Regional integration arrangements

38. Rapid extension and intensification of regional integration arrangements have occurred throughout all regions with a number of distinct new features: new groupings are expanding around major trading nations, and the emergence of mixed groupings is changing traditional patterns of economic cooperation. Moreover, trade measures are no longer the dominant feature of integration in enlarged economic spaces. Any evaluation of their external impact will need to cover a far wider spectrum of policies. In addition, there is a revival of integration among developing countries.

39. The new features of regional integration processes are likely to

have important implications for both participating countries and third countries, and, more specifically, for the export opportunities of developing countries.

40. Export opportunities for developing and other countries outside of the regional arrangements are highly dependent on the openness of regional integration schemes. The elimination of intra-regional barriers should be accompanied by the reduction or removal of barriers in trade with third countries. Hence, regional and multilateral approaches should be complementary.

41. Inward orientation of regional arrangements might affect adversely the trading opportunities of non-member countries, however.

42. Ideally, regional integration schemes consistent with the multilateral trading system would promote intra-regional trade and, through higher economic growth, also stimulate trade with third countries. In this way, new export opportunities would be created for economies inside and outside such arrangements.

43. The implementation of the results of the Uruguay Round, by reducing or eliminating barriers in trade with third countries, could make a significant contribution to enhancing the outward orientation of regional integration groupings.

44. The effects of integration schemes on export opportunities of developing countries also depend on the economic dynamism and competitive strength of the export-supply capabilities of both participating countries and third-country trading partners.

45. There are three general international trade issues which are likely to come to the fore in the post-Uruguay Round period, and which have an important bearing on the export market opportunities of developing countries. These concern the impact that environment measures, structural adjustment policies and restrictive business practices and competition policies can have on market opportunities.

3. Environmental measures

46. With regard to environmental measures and international trade, it was noted that the market opportunities for developing countries could be expanded both by mitigating any undue adverse effects of environmental policies, standards and regulations on exports, and by actively seeking new market opportunities through the promotion of environmentally friendly products.

47. Increasingly, environmental features, in addition to price and performance, are becoming a factor in determining consumer demand. Also, environmental regulations are creating new opportunities for business firms and

exports dealing with innovative, environmentally friendly technologies and products. However, environmental regulations and standards may also adversely affect the trading opportunities of developing countries by reducing the competitiveness of their exports, or in some cases even denying them access to certain markets. There are a number of reasons. For one thing, lack of information on existing and emerging environmental standards in their major markets and unfamiliarity with the administrative and testing procedures for environmentally based products certification may place developing country exporters at a great disadvantage. Secondly, the cost of compliance with standards arising in overseas markets could be high if it has to be borne exclusively by the export trade. If standards differed significantly between various export markets this problem would be compounded. Thirdly, if environmentally sound production processes and technologies had to be imported from developed countries, this could imply a burdensome capital outlay for capital-scarce developing countries.

48. There is a need for more policy analysis and conceptual work in order to contribute to the reconciliation of environmental and trade policies. In addition, the private sector in developing countries needs information about the new measures and trends in the field of trade and environment in order to ensure easier compliance with newly established requirements. For example, while efforts should be devoted to making sure that packaging and eco-labelling programmes do not become a new trade barrier, especially for developing countries, these countries also need support in order to exploit new trading opportunities arising from the certification of products as "environmentally friendly" and to establish their own national eco-labelling programmes.

49. Developing countries also need to adopt environmental standards in order to forestall imports of environmentally unacceptable products and to avoid the dumping in their markets of goods no longer accepted in the countries of origin.

50. The need is emphasized for the transfer of technology to developing countries to meet standards in overseas markets, so as to enhance their capacity to produce environmentally friendly products and to promote their trading opportunities in respect of new products and services arising from environmental concerns.

4. Structural adjustment

51. In a more open international trading system, the processes of trade liberalization and globalization of production and trade will put increasing focus on structural adjustment policies and their impact on export opportunities. The interest of all countries converges in having a dynamic process of change and adaptation to shifting comparative advantage and international competitiveness, and they have a common stake in policies and measures which facilitate this process. There is now compelling evidence that developed market-economy countries need to restructure or to disengage from

production sectors in which they are losing competitiveness in international trade. Some more advanced developing countries may find themselves increasingly in the same position.

52. Structural adjustment policies should be conducive to the disengagement of resources from sectors losing their comparative advantage and should promote resource flows into sectors with long-term growth potential and high productivity. Thus adjustment-assistance policies would help to open up new export opportunities for developing countries.

53. In fact, many developed countries have implemented a wide range of industrial support programmes. While these countries have made efforts to strengthen positive structural adjustment policies, to some extent government support policies in the developed countries have remained defensive in nature, attempting to maintain production in sectors where their economies were losing competitive strength. As regards developing countries at relatively more advanced stages of economic development, they find themselves increasingly confronting the need to disengage from traditional labour-intensive production sectors, to promote shifts towards more sophisticated higher value-added industries, and hence to adopt appropriate structural policies.

54. With respect to the countries in transition, as they undergo their structural adjustment process, rehabilitate and modernize their productive bases, including their technological capabilities, it would be appropriate to focus on sectors where they have a comparative advantage in international trade. In this connection, development of market-based institutions is essential in order to provide the framework in which the private sector could successfully build supply capabilities.

55. The development of a "social partnership" between Governments and the private sector could contribute significantly to a process of positive structural adjustment. In this regard, national transparency mechanism could play an important role.

56. The implementation of the results of the Uruguay round could provide a strong stimulus to the process of positive structural adjustment. Adjustment pressures as a consequence of increased liberalization would force both Governments and the private sector to step up their efforts in pursuance of strategies and policies which promote a more efficient reallocation of productive resources and which, hence, would open up new export opportunities for other trading partners, including the developing economies.

5. Restrictive business practices

57. The restrictive business practices of private firms, including the anti-competitive behaviour of large firms in domestic and international markets, can impede or negate the market opportunities of developing countries that arise from the liberalization of tariff and non-tariff measures affecting international trade. Therefore, countries should adopt and vigorously enforce competition policy and strengthen cooperation towards this end. Developed and

developing countries should expand their efforts to control restrictive business practices which adversely affect their trading opportunities. By linking competition and trade policy, the private firms' barriers to trade would thus be brought into the disciplines of the international trading system. This would safeguard the benefits of trade liberalization, reflect the realities of global competition and ensure a "level playing field" for all trading firms and all countries, particularly developing countries and their firms. In this context, the need arises to study the interface between competition and international trade with particular emphasis on the trading opportunities of developing countries and to develop international guidelines on competition policy.

D. Export promotion and marketing

58. Export promotion and marketing activities are complementary to, and an important element in, national efforts to build competitive export supply capabilities and to penetrate foreign markets. Governments in both developing and developed countries have a role to play in promoting exports from developed countries. The successful penetration of international markets requires national capabilities to identify export opportunities through trade information and market research, to develop and adapt exportable products and services to consumer needs and tastes in foreign markets, and to apply effective marketing and promotional techniques and measures to exploit the identified export opportunities. Many developing countries, especially the least developed countries, lack such capabilities. For most developing countries, efficient trade support services and facilities, in areas such as trade information and market research, product development and design, quality management, packaging, export finance, and export management training, are therefore essential for export success. These services and facilities are particularly important to small and medium-sized enterprises in the early stages of their export development efforts.

59. While a number of developing countries have been able to establish a range of export institutions, both public and private, which provide their exporters with effective trade support services and facilities in all or some of the areas mentioned above, the needs of the least developed countries remain particularly acute in this field.

60. A number of developed countries have established national import promotion offices to provide information and other marketing assistance to developing country exporters in their markets. Trade promotion agencies of developed countries could assist developing countries to increase their exports through, inter alia, provision of information and promotional assistance; advice to developing-country trade officials; organizations and individual exporters; export-management training programmes; as well as the funding of export development projects. Provision of better access to communication and information processing technology, by enhancing trade information transmission and decision-making, could assist developing countries in taking advantage of market opportunities.

61. The raising of awareness in developing countries of international trading arrangements as well as sources of advice and assistance need to be more fully addressed internationally. In this context there is a need to support the aims of the UNCTAD Trade Points initiative.

62. The capacities and overseas sales channels of foreign firms investing in developing countries also provide a means for export promotion and marketing. Attention should be given to how best the channels of foreign companies could be utilized.

E. Technical cooperation

63. Technical cooperation - bilateral, regional and multilateral - has an important role to play in helping the developing countries, particularly the least developed countries, to build export capabilities, to identify and respond to export market opportunities, and to strengthen their export promotion and marketing capabilities. Accordingly, technical cooperation with developing countries, particularly the least developed countries, needs to be strengthened with a view to enabling these countries to increase their participation in international trade, and to enlarge and improve their export market opportunities. Particular emphasis should be placed on human-resources development and institution-building in all technical cooperation activities in order to expand the trading opportunities of developing countries.

64. There is a need to review the technical cooperation needs of developing countries, and the least developed countries in particular, as well as to review on-going technical assistance programmes in order to identify gaps. While it is difficult to set priorities, experience shows that demand-driven technical assistance has been the most effective for beneficiaries. Some areas where technical cooperation could be strengthened are set out below.

(i) Building export capabilities

65. The objective of technical cooperation in this context would be to facilitate the development and implementation of effective policy strategies and measures in developing countries for addressing critical constraints on diversifying and strengthening their export base through, inter alia, access to opportunities for exchange of experience among countries, analytical and policy research information, and technical advice.

66. In particular, technical cooperation activities may address, on a broad basis, problems encountered by developing countries in the design, implementation and evaluation of their industrial and trade policies. Four areas merit particular attention: export incentive schemes; sectoral development programmes; import liberalization; and technological and human-resource development. There is a particular need for assistance in the case of technically sophisticated export promotion tools such as export credit insurance and guarantee schemes.

67. Furthermore, technical cooperation could assist in improving the design and implementation of trade liberalization programmes and address the

many problems developing countries encounter in the implementation of such policies and failures to achieve the objective of strengthened competitiveness.

68. With regard to investment promotion to help build export capabilities, technical cooperation activities could aim to assist governments of developing countries in designing investment promotion programmes and strengthening institutional capacity to promote and facilitate the inflow of foreign direct investment to the "right" sectors, in the framework of national development strategies.

69. Technical cooperation activities can also help to assess the investment and export potential of EPZs, identify optimal locations for their establishment, draft pertinent laws and regulations, and advise on customs arrangements and organizational aspects in order to strengthen the operational and promotional capacities of EPZs.

(ii) Expanding market opportunities

70. With respect to export market opportunities, technical cooperation could aim to assist developing countries, inter alia, with information on the remaining trade control measures (e.g. by providing databases and information systems on trade control measures in major markets) affecting various sectoral categories of goods of export interest to developing countries; advisory and training services to strengthen national capacities to formulate and implement export strategies in the context of the new international trade rules (agreements) affecting market access; identification of opportunities to increase developing countries' participation in trade in services; identification and analysis of issues relevant to the export opportunities of developing countries for possible future trade negotiations.

71. The need for technical cooperation in the broad area of special trade arrangements includes:

(a) identification of ways and means for improving the GSP and other preferential trade programmes to enhance their contribution to expanded export opportunities for developing countries;

(b) technical support, including advisory services, to strengthen subregional, regional and interregional economic integration and trade arrangements among developing countries;

(c) assistance in identifying and taking advantage of trading opportunities for developing countries with countries in transition in central and eastern Europe, including inter alia, collection and dissemination of information on the changes and reforms in the foreign trade policies of these countries, and identification of new ways and means of expanding trade with

these countries, particularly through the new operators and payments arrangements; and

(d) assistance in monitoring and analyzing possible implications of major regional integration arrangements on the export market opportunities of developing countries, including the North American Free Trade Agreement (NAFTA), the creation of a single market by the European Union, the European Union's Agreements with certain central and eastern European countries in transition, and various integration groupings among developing countries.

72. With respect to the expansion of trading opportunities for developing countries through the promotion of environmentally friendly products, technical cooperation activities could aim to bridge the information gap of developing countries with respect to environmental regulations in major markets, to ensure greater coordination among Governments in the setting of environmental regulations and standards (including eco-labelling) and to reduce the cost of compliance by developing countries, particularly the least developed among them, with environmental standards higher than have existed hitherto in the world economy.

73. With regard to positive structural adjustment in developed as well as the more advanced developing countries and the new trading opportunities they may open up for developing countries, technical cooperation activities could focus on identifying sectors which need to undergo structural adjustment from the global point of view, the types of adjustments that would be required and feasible, and the policies and measures that would be appropriate.

74. Concerning the control of restrictive business practices (RBPs), developing countries need substantial assistance in the formulation and/or implementation of legislation and procedures. In addition, technical cooperation activities could aim at: providing information and analyses of the impact of RBPs on international trade, as well as examining the interface between competition and international trade with particular emphasis on the trading opportunities of developing countries; and developing guidelines on competition policy in international trade.

(iii) Export promotion and marketing

75. The International Trade Centre UNCTAD GATT has a vital role to play in coordination with UNCTAD regarding assistance to developing countries in the field of export promotion and marketing for taking full advantage of trading opportunities. There is a need for increased technical cooperation to strengthen the institutional capacity of developing countries in export marketing and promotional activities, particularly with respect to the establishment and strengthening of public and private sector trade services institutions and facilities, and for human resource development including personnel training to manage export trade development and promotion programmes as well as all aspects of export marketing. Technical cooperation is also

needed to assist in filling the gap in trade information flows between developing countries and world markets. The provision of databases and appropriate methodologies for the organization of effective trade information services in developing countries, either in a traditional manner or using technologically advanced systems and networks, is a high priority area.

II. RECOMMENDATIONS

76. In the light of the foregoing findings and conclusions, the Group recommends the following actions at the national, regional and international levels, including technical cooperation activities and follow-up action within UNCTAD, with a view to expand effectively the trading opportunities of developing countries.

A. Policies at the national level

[To be completed as appropriate]

B. Policies at the regional level

[To be completed as appropriate]

C. Policies at the international level

[To be completed as appropriate]

D. Areas for further intergovernmental consideration

[To be completed as appropriate]

Annexes

[To be completed as appropriate]